Information

Direct Costs on Externally Sponsored Programs

Effective

January 1, 2017

Number

RES-2.06

Applicability

This policy applies to University Employees (Administrators, Faculty, and Staff).

Administrative Authority

Executive Vice President for Research and Innovation

Responsible Unit

Office of Sponsored Programs Administration

Sponsored Programs Administration

J.D. Nichols Campus for Innovation and Entrepreneurship

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History

Revision Date(s): September 28, 2021; May 16, 2022

Reviewed Date(s): September 28, 2021; May 16, 2022

Categories

Reason for Policy:

This policy has been developed to meet the requirements set forth in 2 CFR 200 (Uniform Guidance) as applicable to Institutions of Higher Education. PIs and other University employees involved in selecting, reviewing, and charging direct costs to sponsored programs must understand and follow this policy (including appendices) and all related procedures to ensure that direct costs are properly charged, justified, and documented to meet the regulations of 2 CFR 200.

Statement:

All direct costs charged to externally sponsored programs awarded to the University of Louisville or University of Louisville Research Foundation (ULRF) must be allowable, allocable, necessary, and reasonable for carrying out the objectives of the sponsored program. To be consistent in managing direct costs, the University extends these requirements to both federally and non-federally sponsored programs.

Principal Investigators (PIs) are responsible for ensuring that all direct costs charged to externally sponsored programs comply with this policy. All University employees are responsible for fulfilling their duties as outlined in the responsibilities section of this policy.

Related Information:

Appendices:

Direct Cost Allowability Matrix

Guidance for Direct Charging of Administrative and Clerical Salaries to Sponsored Programs

Typical Direct and Indirect Costs and Examples of Unallowable Costs

2 CFR 200—Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards

Definitions:

Allocable Costs

A cost is allocable to a sponsored program if the goods and services involved are assignable to that sponsored program in accordance with relative benefits received.

Allowable Costs

Costs that are (a) necessary and reasonable; (b) allocable to sponsored programs under the principles and methods outlined in 2 CFR 200; (c) given consistent treatment through application of generally accepted accounting principles appropriate to the circumstances; and (d) conform to University policy and any limitations or exclusions set forth in 2 CFR 200 or in the sponsored program as to types or amounts of cost items.

Direct Costs

"Direct costs are those costs that can be identified specifically with a particular final cost objective, such as a Federal award, or other internally or externally funded activity, or that can be directly assigned to such activities relatively easily with a high degree of accuracy. Costs incurred for the same purpose in like circumstances must be treated consistently as either direct or indirect (F&A) costs." (2 CFR Section 200.413a)

Reasonable Costs

"A cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost." (2 CFR Section 200.404)

Sponsor

The organization that funds a Sponsored Program. Sponsors include Federal agencies, state and local government, non-profit and for-profit entities, and international organizations. In the case of pass-through or flow-through funding, the sponsor is the organization that provides funds directly to the University/ULRF.

Sponsored Program

An externally funded activity that is governed by specific terms and conditions as outlined in a legal agreement or notice of award. Sponsored programs must be separately budgeted and accounted for subject to the terms of the sponsoring organization. Sponsored programs may include grants, contracts (including fixed price agreements), and cooperative agreements for research, training, and other public service activities. A sponsored program encompasses both the main sponsored account(s) and associated cost share and/or program income account(s).

2 CFR 200 (Uniform Guidance)

Federal regulations establish uniform administrative requirements, cost principles, and audit requirements for Federal awards issued to non-Federal entities, including the University of Louisville/ULRF and uniform regulations for each Federal agency to follow regarding the administration of programs sponsored by the Federal government. In addition, each Federal agency has its own regulations that are listed in the Code of Federal Regulations (CFR) and explained in its policy handbook.

Procedures:

Charging Direct Costs to Sponsored Programs

Responsibilities:

Principal Investigators (PIs)

Ensure all direct costs charged to sponsored programs comply with this policy. Ensure the consistent application of direct costing practices to Federal and non-Federal sponsored programs with the assistance of departmental administrators and

the Office of Sponsored Programs Administration. Prepare proposal budgets, justify costs, initiate and oversee the incurrence of project costs, and track and document costs.

Departmental (Pre-Award) Research Administrator

Assist Principal Investigators in preparing proposal budgets and in justifying costs. Ensure consistency of proposed costing practices within the unit. Review sponsored program proposals for justification of direct costs requested, especially when costs normally charged as indirect are proposed as direct costs.

Departmental (Post-Award) Business Administrator

Assist Principal Investigators with charging, tracking, and documenting costs, ensuring consistency of charging practices within the unit. Review financial transactions for accuracy (including speedtype/accounts being charged), appropriateness, and compliance with applicable policies, procedures, and the sponsored agreement. Take action to approve, deny, or question financial transactions based on the review. In conjunction with Principal Investigators, maintain financial and other records for review by internal and external auditors.

Central (Post-Award) Reviewer (Shared Services Reviewer, As Applicable)

Review for accuracy (including speedtype/accounts being charged), appropriateness, and compliance with applicable policies, procedures, and the sponsored agreement. Take action to approve, deny, or question financial transactions based on the review. Carry out Departmental (Post-Award) Business Administrator responsibilities as applicable.

Department Chair/Center Director/Institute Director

Establish effective processes and controls that will ensure compliance with this policy. Communicate these practices to all employees involved with sponsored programs within the department/center/institute.

Research Dean and Lead Fiscal Officer

Establish and oversee effective processes and controls that will ensure compliance with this policy. Communicate these practices to all employees involved with sponsored programs within the college/school/unit.

Office of the Executive Vice President for Research and Innovation (EVPRI)

Administration

Develop and maintain policies and procedures in accordance with federal regulations.

Pre-Award: Office of Sponsored Programs Administration

Review and approve proposal budgets and budget justifications to ensure alignment with this policy. Ensure consistent treatment of direct costs, especially when costs normally charged as indirect are proposed as direct costs. Assist with award management, including obtaining prior sponsor approval as necessary. Assist in interpretation of federal regulations, such as 2 CFR 200 and sponsor policy.

Post-Award: Office of Sponsored Programs Administration - Research Accounting Services

Review expenditures to ensure direct costs charged to sponsored programs comply with this policy prior to submission of final financial reports. Assist in interpretation of federal regulations, such as 2 CFR 200 and sponsor policy. Work with Principal Investigators and departmental business administrators to prepare financial invoices and reports.